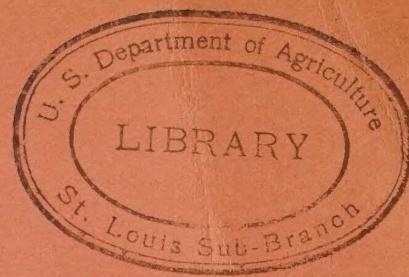


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1.933
H835HOW TO OBTAIN AND ACCOUNT FOR
FUNDS ALLOTTED BY REA FOR
CONSTRUCTION

This booklet explains in detail the procedure for obtaining and accounting for construction funds allotted for distribution lines. If funds for special facilities are included in the allotment (such as sub-station and/or generating plant) allowances will be made for same by REA. The procedure is simple, and funds can be advanced without delay if the instructions contained herein are observed.

The principal requirements of the procedure are:

1. Expenditures may be made only for purposes for which budget amounts have been established and in accordance with instructions from REA and the provisions of governing contracts.
2. Expenditures must be reported to REA within 60 days of the receipt of funds and must be supported by original receipted invoices.
3. Requests for and expenditures of funds for any purpose must be kept within the budget amount for the purpose.
4. An expenditure report must accompany every financial requirement statement, except in the case of the first financial requirement statement submitted by a Borrower against the first allotment.

Contents

Part I - Approved loan purposes - The Construction Budget - General Instructions.

Part II- How to Use the Financial Requirement Statement (FI-121A) to request the advance of funds or to amend the budget.

Part III-How to Use the Expenditure Report (FI-121B).

Part IV- How to Prepare Other Documents Which Must Accompany Forms FI-121A and FI-121B.

Part V - How to Prepare Other Documents to Amend the Budget.

Part VI- Special Instructions.

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Rural Electrification Administration
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HOW TO OBTAIN AND ACCOUNT FOR FUNDS ALLOTTED BY
REA FOR CONSTRUCTION

Part I

APPROVED LOAN PURPOSES - THE CONSTRUCTION BUDGET -
GENERAL INSTRUCTIONS

A. Basic Requirements of the Loan Contract

The Rural Electrification Administration, under the terms of the Loan Contract, may lend money only for:

- 1. The actual construction of rural electric systems.
- 2. Other items which are necessary to carry forward the line construction, such as legal and engineering fees, right-of-way expenses, etc.
- 3. The maintenance and operation of the lines for a limited period after complete energization.
- 4. Limited activities to promote the use of electric power.

FEB 18 '46

Since the REA must conform to certain legal requirements in connection with the funds which it allots, the various documents described herein must be in proper form for submission to the United States Treasury, which advances the money, and to the General Accounting Office, which audits all expenditures.

B. Approved Loan Purposes

The general purposes for which funds may be advanced and expenditures made under the terms of the Loan Contract are listed in Column 1 of the Financial Requirement Statement (Form FI-121A) and the Expenditure Report (Form FI-121B). These general purposes are explained in detail in Part II of this booklet.

Funds will not be advanced and expenditures of loan funds must not be made for any purposes except those listed on Forms FI-121A and FI-121B for which budget amounts have been set up and approved by REA.

A list of items which must not be purchased with REA funds is included in Part VI of this booklet.

C. The Construction Budget

The allotment made to a Borrower is a budget consisting of an amount for each of the general purposes for which funds may be advanced and expenditures made under the terms of the Loan Contract. These Budget amounts are based on normal construction and operating conditions and will be adjusted to conform to approved contracts or amendments thereto. Advances of funds are made on the basis of the budget amount for each purpose for which funds are requested. An advance

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for any purpose will not be made in excess of the budget amount, and expenditures for any purpose must be kept within the budget amount.

The budget may be amended by the Borrower as the need arises according to the detailed instructions in Part V of this booklet. If funds are desired for a purpose for which no budget amount has been set, approval of REA must be obtained before any expenditures for that purpose are made. (See instructions in Part III.)

A contingency fund is included in the budget to provide for emergencies and to provide for necessary items, the cost of which cannot be accurately estimated in advance: but no advances will be made direct from this budget item. The use of the contingency fund is explained in Part V.

The budget, showing only those items for which funds may be requested on the first Financial Requirement Statement, is sent to the Borrower on a copy of the Financial Requirement Statement (Form FI-121A) shortly after the allotment is made. As the various contracts, amendments and other documents are approved, adjustments are shown in Column 3 on the next Form FI-121A. The dollar amounts in the budget must be entered in Column 2 of every Financial Requirement Statement (Form FI-121A) submitted by the Borrower to REA.

D. Supplementary Allotments

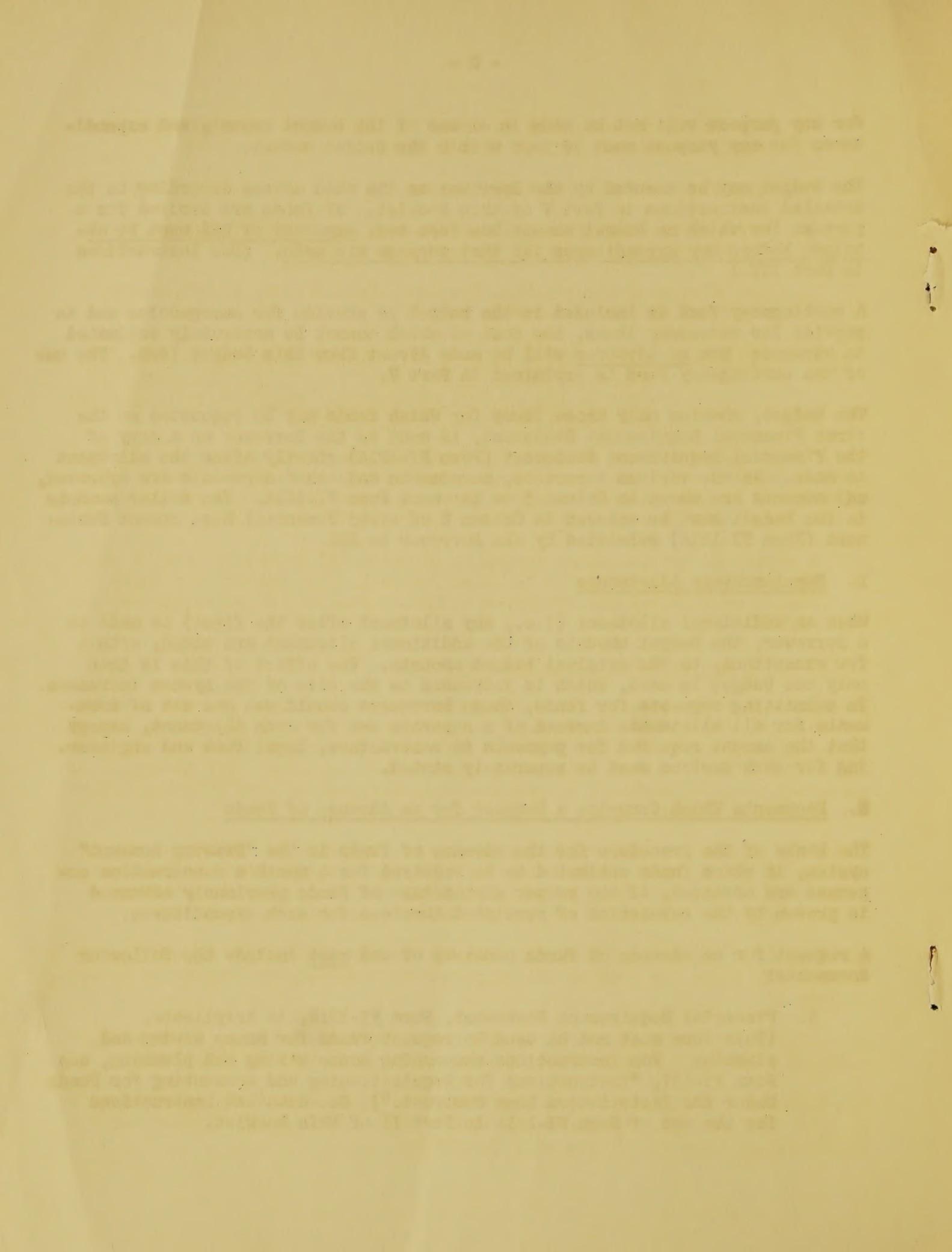
When an additional allotment (i.e., any allotment after the first) is made to a Borrower, the budget amounts of the additional allotment are added, with a few exceptions, to the original budget amounts. The effect of this is that only one budget is used, which is increased as the size of the system increases. In submitting requests for funds, these borrowers should use one set of documents for all allotments instead of a separate set for each allotment, except that the amount required for payments to contractors, legal fees and engineering for each section must be separately stated.

E. Documents Which Comprise a Request for an Advance of Funds

The basis of the procedure for the advance of funds is the "Drawing Account" system, in which funds estimated to be required for a month's construction expenses are advanced, if the proper expenditure of funds previously advanced is proven by the submission of receipted invoices for such expenditures.

A request for an advance of funds consists of and must include the following documents:

1. Financial Requirement Statement, Form FI-121A, in triplicate.
(This form must not be used to request funds for house wiring and plumbing. For instructions concerning house wiring and plumbing, see Form FI-137, "Instructions for Requisitioning and Accounting for Funds Under the Installation Loan Contract.") See detailed instructions for the use of Form FI-121A in Part II of this booklet.



2. Expenditure Report, Form FI-121B, in triplicate. See detailed instructions in Part III of this booklet.
3. Received Invoices for Expenditures.
4. "Voucher for Payment under Construction Loan Contract," Form FI-40 and FI-40A. See detailed instructions in Part IV.
5. Certificate of Construction Progress, Form FI-53R, in triplicate. See detailed instructions in Part IV.

IMPORTANT: Additional documents are required with any request for funds to finance Force Account work (construction work done by the project employees), including Member Service Extensions built by Force Account.

The first request and the request for funds for the final payment to the Contractor require additional conditions or statements as described below. REA may require further details on any request to assure proper expenditures and accounting. (See Part I, Section F-1 and Part II, Section 1-a.)

A supply of the necessary documents (Section "E" above) is sent to each project after execution of the Loan Contract. The request for funds should be prepared and submitted to REA as soon as the documents are received.

F. When and How to Submit Requests for Funds

Funds should be requested only for purposes for which budget amounts have been established, and for which expenditures will be made during the period for which funds are requested. Funds should be requested in amounts sufficient to finance the Borrower for one month without excessive cash balances. All financial requirement statements should be prepared and submitted in time to avoid delays due to lack of funds.

Funds for payment to the contractor should be requested in advance of the completion of any month's construction, so that the contractor may be paid as soon as he submits his invoice. Do not wait until the contractor has finished a month's construction before requesting funds to pay him for such work.

The method of requesting funds for each of the approved purposes, and the rules under which funds for each of the purposes are advanced, are described in detail in Part II.

If requests for funds are complete and are accurately prepared, funds will be advanced within a few days after receipt of the documents by REA.

The Borrower may be requested to use some other period than the calendar month in order to level out the volume of work in REA, and thereby expedite the examination and approval of requests for funds.

1. First Request for Funds

The first request for funds will be approved and the advances made after the proof of recordation of the Mortgage, the executed Note and the opinion of the Project Attorney have been submitted to REA. This rule applies also to supplementary allotments.

The first request should consist of the following documents:

- a. A Financial Requirement Statement, Form FI-121A, requesting reimbursement of membership funds for pre-allotment expenditures, and also requesting funds sufficient to finance the project during the month in which the request is prepared and during the following month. For example, if the necessary documents are received and the request for funds is prepared in January, the request for funds should:
 - (1) Request reimbursement of pre-allotment expenditures.
 - (2) Request funds to finance the Borrower during January and February.
- b. "Voucher for Payment Under Construction Loan Contract," Form FI-40, and three copies, Form FI-40A, prepared for the amount requested in the Financial Requirement Statement.
- c. Certificate of Construction Progress, Form FI-53R, if the Construction Contract has been executed and approved, and if funds are requested for payment to the Contractor. The Project Engineer should be consulted when the amount requisitioned for payment to the Contractor is determined. The Engineer will estimate and state in his Certificate of Construction Progress the probable amount which will be required.

Pre-allotment expenses on supplementary allotments should not be requested until the allotment has been made and the adjusted construction budget figures received from REA.

2. Second Request for Funds

For example, if the first request for funds was submitted in January, the second request should be prepared and submitted in February, and shall consist of:

- a. A Financial Requirement Statement, Form FI-121A, requesting funds sufficient to finance the Borrower during the month following that in which the second request is prepared.

- b. An Expenditure Report, Form FI-121B, containing a complete report of all expenditures of loan funds during the previous month.
- c. Original receipted invoices for such expenditures, listed on and attached to Form FI-121B.
- d. "Voucher for Payment under Construction Loan Contract," Form FI-40, for the amount requested in the Financial Requirement Statement.
- e. Certificate of Construction Progress, Form FI-53R, if the Construction Contract has been executed and approved and funds for payment to the Contractor are requested.
- f. Account for all expenditures of loan funds made during January, including the reimbursement of membership funds for pre-allotment expenditures.
- g. Attach as many receipted invoices as can be obtained for expenditures made during January.
- h. Request funds to finance the project during March.

3. Subsequent Requests for Funds

All subsequent requests for funds should be prepared and submitted to REA on or before the date agreed upon and should consist of the same forms and papers as shown above under Section F, 2, a, b, c, d, and e, except that the expenditure report will cover all previous months, and all receipted invoices not previously submitted will be included.

G. Disposition of Funds Advanced

All funds requested on the Financial Requirement Statement, Form FI-121A, and received from the United States Treasury must be deposited in the "Special Construction Account" which may be opened only in the bank or banks approved as depositary or depositaries by the REA Finance Division.

H. Reimbursement of Membership Funds or General Funds

Membership or general funds of the projects may be reimbursed for allowable expenditures only after a request for advance of funds covering such expenditures have been approved by REA. After such approval is given, a check for the amount approved should be drawn against the "Special Construction Account" and deposited to the credit of the "General Account."

The procedure to be used in reimbursing the "General Account" is as follows:

1. The project should request the amount desired for reimbursement on a Financial Requirement Statement, Form FI-121A. (This may be done

on a routine Statement - it is not necessary to prepare a special form.) A letter explaining the request for reimbursement should be attached, or a schedule furnished.

2. After the request is approved by REA and funds are received from the Treasury, a check for the amount approved should be drawn against the "Special Construction Account" and deposited to the credit of the "General Account."
3. The check used for reimbursement should be reported on the next Expenditure Report, Form FI-121B, submitted to REA, and should be charged against the approved purpose or purposes for which the original expenditure of general funds was made. Original receipted invoices from the persons or firms to whom the money was paid for goods or services must be attached. A receipt signed by a project official, indicating the transfer of funds from the "Special Construction Account" to the "General Account" will not be accepted, except Transportation Charges to Construction.

I. Special Limitations of Expenditures

Part VI of this booklet provides lists of normal expenditures for such allowable items as office equipment, office supplies, bookkeeping and record forms, binders, etc. Bulletins, memorandums and instructions issued by the Engineering or Operations Division provide information as to allowable and desirable expenditures for operating equipment and supplies, etc.

A list of items for which expenditures of loan funds must not be made is also provided in Part VI, Section F.

HOW TO USE THE FINANCIAL REQUIREMENT STATEMENT
(FI-121A) TO REQUEST THE ADVANCE OF FUNDS AND
TO AMEND THE BUDGET.

PART II

A. General Instructions for the Use of the Financial Requirement Statement
(Form FI-121A)

The Financial Requirement Statement, Form FI-121A, consists of two schedules: "Budget Control Statement and Request for Advance of Funds" on the front of Form FI-121A, and the "Budget Adjustment Statement" on the back of the form.

The Loan Contract between the Borrower and REA provides that loan funds may be advanced and expenditures made only for approved purposes. The approved general purposes are listed in Column 1 of the "Request for Advance of Funds" (on the front of Form FI-121A), for which budget amounts have been established and approved by REA. REA does not require that each separate purchase or payment be approved in advance of the expenditure. It does require, however, that expenditures be made only for the specific purposes for which the funds were advanced and in accordance with instructions from REA and the provisions of governing contracts. A request by the Borrower for funds for an approved purpose will be considered by REA to be an agreement by the Borrower that such funds will be expended only for the purpose for which they were advanced.

Space is provided in the "Budget Adjustment Statement" on the back of Form FI-121A to request budget adjustments. Detailed instructions are contained in Part V.

B. Explanation of Columns and Instructions for Making Entries in the "Budget Control Statement and Request for Advance of Funds" (Front of Form FI-121A).

The schedule on the front of Form FI-121A headed "Budget Control Statement and Request for Advance of Funds" is used to show in detail the Approved Purposes for which funds will be necessary to finance the project during the period for which funds are requested.

Column 1 - Approved Purposes for which funds may be advanced:

The items listed in this column are the general purposes for which expenditures may be made under the terms of the Loan Contract, provided budget amounts for each of the purposes for which expenditures are contemplated have been previously approved by REA.

Column 2 - Original Approved Budget:

The entries to be made in this column opposite the proper Approved Purposes, are the budget amounts established by REA for the various approved purposes for which funds may be advanced and expenditures made. These budget amounts are sent to the Borrower on the Financial Requirement Statement (Form FI-121A), and must be entered on every Financial Requirement Statement submitted to REA.

The total of this column equals the total allotment. Since it is the practice to consolidate all construction allotments made to a Borrower into a single budget whenever possible, the budget amounts established in supplementary allotments will be added to the amounts established in the first allotment. Thus, for a Borrower which has received two or more construction allotments, the individual budget amounts will equal the total amounts allotted for each of the various purposes in all allotments, and the total of the column will be the sum of all construction allotments made to the Borrower except that amounts budgeted for construction, engineering and legal services, in separate allotments, must be indicated separately for each section.

Column 3 - Approved Amended Budget to Date of This Request:

The entries to be made in this column opposite the proper Approved Purposes are the amended budget amounts (if any) which are to be approved by REA on the current request. Do not make any entry in this column until the budget adjustment has been approved by REA. Request approval of adjustments according to the instructions in Part V.

When a change has been approved, enter the amended amount in Column 2 opposite the proper Approved Purpose leaving Column 3 blank for future adjustments or amendments.

Column 4 - Total Advances to Date:

The entries to be made in this column opposite the proper Approved Purposes should consist of the total advances for each of the Purposes which have been received by the project up to and including the last advance. The total of this column must equal the total amount received by the project to date of the request.

If the project has two or more construction allotments which have been consolidated, the entries in this column should be the totals advanced under all allotments except, that funds advanced for construction, engineering and legal services must indicate the separate advances for each section or contract.

Column 5 - Balance Available in Budget:

These entries are obtained by subtracting the advances for each purpose from the latest budget for that purpose.

Column 6 - Advance Now Requested:

The entries to be made in this column opposite the proper Approved Purposes should be the Borrower's requirements for each of the purposes during the period for which funds are requested. Funds should be requested within the limits of the budget balance available and only for purposes for which expenditures are planned during the period covered by the Financial Requirement Statement.

If the project has two or more construction allotments which have been consolidated, the funds requested in the column should cover the requirements for all sections, except the funds requested for construction, engineering and legal services. These funds must be indicated separately for each section.

Column 7 - For REA Use Only:

If it is necessary to modify the amount requested by the project for any purpose, the REA Finance Division will enter the amount approved in this column.

C. Explanation of Approved Purposes (Column 1)

The items listed here are the general purposes for which funds may be advanced and expenditures made under the Loan Contract.

The Purposes are listed in the same order and under the same item numbers as they appear on Form FI-121A and FI-121B.

1. CONSTRUCTION:

Funds will be advanced under this purpose only when construction is to be done under contract, and may be expended only for work necessary to the actual construction in accordance with plans and specifications approved by the REA. Funds will not be advanced for Construction until the contract has been approved by the Administrator, at which time the Budget amount will be revised to agree with the contract price. The budget amount for Construction will include funds for Member Extensions which are to be built by the Contractor as specified in the contract.

If Member Extensions are to be built by Force Account or if the entire section is to be built by Force Account, funds will be requested under

Items 14 and 15 for Material, Labor and Other Expense. (See Operations Bulletin No. 2 and Finance Division Bulletin No. 12 for complete instructions concerning Items 14 and 15, work order procedure, etc.) When right-of-way clearing is done under Force Account, funds for this Purpose should be requested under one of the miscellaneous items in Purpose No. 13. No Force Account construction work, except Class "A" extensions, may be done without prior approval of the REA Division of Design and Construction. (See Force Account Part VI Sect. B.)

a. Contractor:

Funds may be expended under this Purpose only for payment to the Contractor for units of work performed in accordance with the Construction Contract and approved Change Orders in amounts certified by the Project Engineer. Expenditures for this Purpose must not include the 10% of the value of the contractor's work which is retained until construction is completed and approved by REA.

Form FI-53R (Project Engineer's Certificate of Construction Progress) must be submitted with each requisition for funds for payment to the Contractor, showing the amount needed for each section. Only 90% of the total value of the amount of work, which the Engineer estimates will be completed in the current month, should be requested. The amount shown on Form FI-53R should be the same as the amount requested under Item 1a - Contractor on the Financial Requirement Statement, Form FI-121A; i.e., the request submitted during January for funds to pay contractor should be based on the estimated amount of work which will be completed by the end of January.

b. 10% Retained:

10% of the value of work done by the contractor is withheld under this item. No funds will be advanced and expenditures must not be made for this Purpose until construction is completed and approved by REA.

Note: For final payment to Contractor see Part VI.

2. Meters:

The Project Engineer should estimate the rate at which meters should be required and funds should be requested accordingly. The budget amount for this Purpose will be adjusted according to the terms of the Group Plan of Purchase.

Funds may be expended under this Purpose, only for the purchase of meters and sockets. Funds will not be advanced until the Group Plan of Purchase has been approved and authorized by the REA and copies of the Purchase Order have been forwarded to REA. In the absence of an agreement, funds may be advanced for meter bases if so indicated. After all meters provided for in the original estimate have been purchased, subsequent advances for meters to be installed under Member Service Extensions will be requested under Item 14, "Materials."

3. Meter Installation:

Funds may be expended under this Purpose only for the wages paid for meter setting and other expenses such as gasoline, oil, or necessary supplies. The expense of meter reading, meter testing and maintenance work after energization of the primary line must be paid from revenue. Funds should not be requested under meter installation for the time spent by the linemen on member extensions or other Force Account work. Funds for the installation of meters under work orders should be requisitioned from Purpose "15 - Labor and other Charges."

4. Pole Inspection:

Funds may be expended under this Purpose only for those items, and payment may be made only to the person or persons, specified in the Pole Inspection Contract. Funds will not be advanced and expenditures must not be made for this Purpose until the contract for this service has been approved by REA.

The Project Engineer should estimate the rate of progress of this work and funds should be requested accordingly, either under Item 4, if a separate budget amount has been set up for this service, or under Item 1a, if included in the budget for the contractor.

The budget amount for this Purpose may be adjusted according to the terms of Pole Inspection or Construction Contract.

5. Legal Fees:

Funds may be expended under this Purpose only for payment to the Project Attorney for the usual legal work which has been agreed upon between your attorney and the Legal Division of REA. Requisition may be made for as much as 40% of the legal fee on the first financial requirement statement. Thereafter, the balance of the fee is advanced as construction progresses and work is performed by the Attorney, not more than 10%, however, being allowed on any subsequent request. It is the policy of the REA not to advance the attorney's fee in full until such time as he shall have performed all of the legal work for which he is responsible, particularly with respect to the submission of satisfactory

proof of compliance with the terms of the Loan Contract with regard to right-of-way. 20% will be withheld until this is done. Requests for funds under this Purpose should indicate the particular Section or Allotment for which Payments of the Legal Fees are to be made.

Legal fees for pre-allotment expense - not in excess of \$200 on the primary allotment and \$100 on any supplementary allotment - is included and should be paid from these funds. Do not include as a part of this fee miscellaneous legal expenses incurred by the Project Attorney.

6. Miscellaneous Legal Expense:

Funds may be expended under this purpose for:

- a. Advertising of incorporation, charter and amendments, provided this expense has not been included in Pre-allotment Expense.
- b. Advertising for all contract bids.
- c. Advertising to secure highway permits. (No other advertising than that listed in a, b, and c above is allowable.)
- d. Expenses for litigation hearings and damage suits before boards, state utility commissions or other governmental bodies.
- e. Miscellaneous: Registration fee with secretary of state or other public body, charter fee, cost of certificate, cost of charter, recording of mortgage, deed of trust to REA, notary fees except those for easements.

NOTE: No part of these funds advanced under this classification is to be expended for any personal expenses of the attorney such as travel expense, meals, postage, etc., without written approval of REA Legal Division.

7. Engineering Fees:

Funds may be expended under this purpose only for payment to Project Engineer for his services, which include the preparation of plans and specifications, staking and supervision of construction, but does not include payments for engineering fees for the Pre-allotment maps, etc. (See Item 9.)

Engineering fees are prescribed by the engineering contract or other agreement, and payments will not be made for this service until the Engineering Contract or other agreements have been approved by REA.

a. Contract:

Funds for Engineering under contract should be requested in advance to meet obligations for this service when due and to avoid handicaps resulting from cumulative delays. Funds advanced for this Purpose should be paid to the Engineer according to contract, that is, as staking sheets are released and as the construction progresses.

10% of the estimated fee due for staking and supervision will be withheld until the engineer has submitted his final maps and certificates to the Design and Construction Division for approval accompanied by a statement in detail showing the total engineering fee.

b. Force Account:

Where all or any part of the engineering is done by a resident engineer under Force Account at a fixed rate per week or month approved by the Design and Construction Division, these expenses will be requested under this item.

8. Final Inspection:

Funds may be expended under this Purpose only for expense in connection with final inspection of the completed system by the inspector employed by the Borrower at the rate of pay and expense set for this service in letter to the Borrower from Design and Construction Division and in accordance with resolution passed by the project "Board of Trustees (Directors)."

9. Right-of-Way:

Funds may be expended under this Purpose only for:

a. Pre-Allotment Expense

The budget allowance for this Purpose includes all expenditures from membership funds authorized by REA Application and Loans from the Pre-Division, Engineering fees or expenses incurred for the Pre-allotment maps, etc., are included under this item and not under Item 7.

b. After Allotment Expense

This expense includes:

1. The wages and mileage paid to right-of-way solicitors, for procuring easements and rights-of-way after allotment.

2. Fees for recording easements, and other right-of-way instruments.
3. Searching of titles, and investigating the ownership of parcels of land traversed by the line.
4. Easement maps, printing of easement forms, postage for easement work, telephone and telegraph expense in connection with easements, fees paid for notary bonds and notary commissions for easements.
5. Permits for crossing highways and railroads and all legal expenses relating to easements incurred after the Pre-Allotment Period.

10. General Overhead:

Funds may be expended under this Purpose only during the construction period and for a period of ninety days after complete energization of original and supplemental lines unless further expenditures are specifically approved by REA. The first requisition for funds for this item should be accompanied by the name of each employee for whom funds are requested together with the rate of pay and date of entrance on duty.

General overhead expenditures will be prorated on supplementary allotments after the original line has been energized for a period of ninety days. The Cooperatives' Operations Division will determine the percentage chargeable to operating revenue in accordance with Operations Memorandum #32.

a. Superintendent's Salary and Mileage:

Funds will not be advanced and expenditures must not be made for this item until the qualification, employment and rate of wages have been approved by REA.

Funds will be advanced and expenditures may be made for mileage at the rate prescribed by the Cooperatives' Operations Division of REA. The receipts for such expenditures must show, by speedometer readings, the exact mileage travelled.

b. Other Salaries:

Includes salaries and wages of all other project employees such as bookkeeper-stenographer, except those employed under Force Account or reported on Work Order forms. Employees paid under this account must be employed according to instructions and specifications of the Division of Cooperatives' Operations of REA.

c. Office Expenses:

Includes other usual and routine costs of maintaining and operating the office such as rent, heat, light, telephone, telegraph, water bills, stationery, office forms and binders, office supplies, bank service charge, etc.

Permanent equipment may be rented during construction period, and the rental charged against this account, but that practice is not recommended. Permanent equipment, i.e., desks, chairs, typewriters, etc., should be purchased under Item 13a.

Utility deposits and telephone installation charges are not allowable expenditures. They must be paid from Membership Funds.

d. Miscellaneous Expense:

Includes overhead expenses other than those in Paragraph "c" such as truck registration (during the construction period only) gas, oil, truck or car repairs for car or truck assigned for Superintendent's use during construction; expense of attending Bookkeeper schools, Superintendent's Conferences, etc. Each request for funds under this item must be accompanied by a detailed break-down.

11. Directors' Fees and Mileage:

Funds will not be advanced and expenditures must not be made for this item until such expenditure is authorized by the "Board of Trustees (Directors)" and the authorizing resolution approved by the Division of Cooperatives' Operations of REA. A copy of such approved resolution must accompany the first request for funds for this Purpose. In accordance with Operations Memorandum No. 67, these fees and mileage are based on one meeting a month plus three extra meetings to execute the necessary legal documents, until energization of the first complete section, except for special meetings referred to in the next paragraph. Fees and travel expense for two meetings will be allowed for each supplemental allotment from construction funds.

Permission for special meetings of "Boards of Trustees (Directors)" called at request of an REA Representative, must be secured from the Division of Cooperatives' Operations by written request, stating the Purpose and the need of calling a special meeting. If permission is granted, the "Board of Trustees (Directors)" should be advised to pass a resolution stating that the special meeting had been called at the request of an REA Representative, and the purpose of the meeting should be submitted to the Finance Division with request for funds for payment of fee and mileage of the Trustees attending such special meetings.

12. Insurance and Bonds:

Includes payment of premiums for all insurance and bonds carried by the Borrower (not by the Contractor) during the construction period. Charge the annual cost of all insurance purchased during the construction period to this Purpose and the auditors will later distribute any part of this expense which should be allocated elsewhere.

The Insurance and bonds which the project must carry are listed below and described in detail in Form FI-112C and FI-114.

- a. Workmen's Compensation Insurance (on Project employees only).
- b. Public Liability and Property Damage Insurance.
- c. Employers' Non-Ownership Liability Insurance.
- d. Owned Automobile or Truck Insurance.
- e. Fidelity Bond.
- f. Fire and Windstorm Insurance.

Unless the Borrower has requested REA to order its insurance on Form FI-113, as described in Form FI-114, a duplicate original of each insurance policy and bond must be forwarded to and approved by the Insurance Section of the Cooperatives' Operations Division of REA before any funds will be advanced for any purpose. The contractor must carry Workmen's Compensation Insurance for his own employees, and Public Liability and Property Damage Insurance during the construction period, and the Engineer must carry Workmen's Compensation Insurance for his own employees.

13. Miscellaneous:

a. Office Equipment:

Includes desks, chairs, tables, filing cab nets, office machines, etc. Typical lists of such equipment and its usual costs are furnished by the Division of Cooperatives' Operations. A sample list is shown in Part VI.

b. Transportation equipment:

This account shall include the cost of equipment for general transportation purposes such as automobiles, motor trucks, trailers, motorcycles, and other vehicles, gasoline and oil storage tanks and pumps and other garage equipment in the automobile repair shop, if this is devoted exclusively to repairing transportation equipment.

c. Tools and Work Equipment:

Includes equipment and supplies necessary for proper operation and maintenance of lines. Typical lists of supplies and instructions are furnished by the Cooperatives' Operations Division.

- b. Transportation equipment:
This account shall include the cost of equipment for general transportation purposes such as automobiles, motor trucks, trailers, motorcycles, and other vehicles, gasoline and oil storage tanks and pumps and other garage equipment in the automobile repair shop, if this is devoted exclusively to repairing transportation equipment.
 - c. Tools and Work Equipment:
Includes equipment and supplies necessary for proper operation and maintenance of lines. Typical lists of supplies and instructions are furnished by the Cooperatives' Operations Division.
 - d. Utilization:
Utilization work consists of activities to promote the early and intelligent use of electric energy which will contribute to the financial stability of the project. Amounts provided in the original or amended budget may be expended for the following purposes:
 - 1. Stationery, stencils, mimeographing, printing and postage required in preparing and mailing letters transmitting REA literature as recommended in the "Wiring Manual."

(The Manual of Wiring Procedure (Form UT-8-1R3) describes various utilization forms which are included in the list of forms purchased by borrowers (See Part VI). The cost of such forms is usually reported under item 10c "Office Expenses")
- NOTE: The preconstruction wiring program requires that bona fide wiring contracts be secured from the signed members before construction of the lines may be authorized. The procedure recommended in the "Wiring Manual" *should enable securing these contracts with no expenses other than those authorized above which shall not exceed a total of 50 cents per member. We cannot approve expenditures in excess of this amount unless you have secured an authorization in writing from the Cooperatives' Operations Division for the definite sum required.

5. Necessary expenses involved in conducting electrical appliance exhibits in connection with special project activities, such as pole setting, energizing ceremonies and annual meetings. Not more than \$50 can be approved for such an exhibit unless previously authorized. In most cases the participating dealers share the total cost of such exhibits. Expenditures for exhibits in conjunction with State or County Fairs have not proved beneficial and are not allowable.
6. Necessary expenses involved in conducting special campaign activities authorized by the Cooperatives' Operations Division. Detailed instructions will be issued for such activities and the representatives of the Division will assist the project in conducting the activities.
7. Salary and mileage allowance of a Project Utilization Specialist whose appointment must be approved by the Cooperatives' Operations Division. After the lines are energized, they will assist in securing a properly qualified man for this position, if they deem it necessary.

IMPORTANT

Under no conditions can we approve the following expenditures from the Utilization account:

Salaries or mileage for Utilization work except as previously approved by the Cooperatives' Operations Division.

Purchase of prizes of any sort for use in connection with project activities.

Meals or refreshments furnished to the members, prospective members or working committees.

f. to o. Miscellaneous:

Includes all costs in connection with service entrance installations, power- and telephone- crossing-line agreements pole and line changing agreements, clearing rights of way by force account, purchase of electric lines and substation sites and trustee fees, if any, authorized trips to Washington, D. C., and all necessary miscellaneous construction and operating costs not shown under other headings are included in this Purpose, provided that approval is given by REA. When REA approval is received and amounts budgeted

for these miscellaneous purposes, the item and the budgeted amounts are written in the spaces provided and the contingency item or other item is reduced accordingly as directed by REA.

If service entrance installations are to be done by contractor, the contract or contracts must be submitted to the Design and Construction Division, in a form acceptable to them, for approval. If the work is to be done by force account it must be so marked on the Requirement Statement (Form FI-121a) and work orders submitted to the Design and Construction Division for approval.

If it appears necessary to make expenditures for Purposes other than those printed in Column I, a letter explaining the need for such item or items and stating the estimated cost should be mailed in advance to the Construction Funds Control Section, Finance Division or attached to the requisition on which the item or items are listed. No obligation must be incurred for such purposes until approved by REA.

14. MATERIALS:

An initial advance against the amount budgeted for this Purpose is made to establish a "normal inventory" of materials in stock as described in Operations Memorandum No. 2, dated September 30, 1940, and Finance Division Bulletin No. 12.

The initial advance should be sufficient to cover maintenance and to finance the construction of Class A Member Service Extensions for a period of approximately 3 months.

As material is withdrawn from the stock room, work orders are prepared and submitted to REA. As described in the instructions above mentioned, work orders based upon estimated or actual costs as explained in Finance Division Bulletin No. 12 are submitted to REA monthly for approval by the Division of Cooperatives' Operations. Funds are advanced by the Finance Division to reimburse the revolving stock account maintained by advances for this Purpose.

15. LABOR AND OTHER EXPENSES:

An initial advance will be made against the amount budgeted for this Purpose to establish a revolving fund from which will be paid the labor, transportation and other expenses (except materials) incurred in the construction of "Class A" Extensions under Work Orders, as explained in Finance Bulletin No. 12.

16. CONTINGENCIES:

Provides for emergencies. The use of this fund has been described in Part V.

No funds will be advanced under this purpose.

HOW TO USE THE EXPENDITURE REPORT (FI-121B)

PART III

A. General Instructions

The Expenditure Report on the disposition of funds previously advanced is the most important part of Requests for Funds. If the Expenditure Report and accompanying received invoices evidence the proper expenditure of, or account for, funds already received, funds for the ensuing month can be promptly advanced.

The Project Superintendent will be responsible for all expenditures conforming to the instructions and standards issued by REA.

The "Drawing Account" system by which funds are advanced to the Borrower, requires that previous advances must be accounted for by received invoices for expenditures or by cash balance on hand before further advances can be approved. All expenditures should be accounted for by received invoices submitted to REA within 30 days of beginning of the period for which the funds were advanced, but must be accounted for within 60 days. (Example: Received invoices for expenditures made in February should be submitted on the March report, but must be submitted on the April report.) A valid explanation for any receipt not submitted within 60 days must be presented.

B. Explanation of Acceptable Received Invoices

Borrowers are required to send us, with their Expenditure Reports, received invoices which meet the requirements indicated below.

We cannot accept cancelled checks or check vouchers as received invoices. It is therefore necessary to obtain a received invoice for each expenditure. The invoices submitted should meet the following requirements.

1. For Materials or Services (usually bought through a purchase order.)

- a. Name and address of supplier and detailed list of materials or services supplied along with dates, terms, amount, etc., all in accordance with purchase order or other purchasing agreement. Bill heads showing firm name are desirable.
- b. Acknowledgement that payment was received on stated date signed by a responsible agent of the seller.
- c. Evidence that invoice has been checked prior to payment, as to receipt of material or services, conformance with agreed terms, quantities, quality, and price, and that extensions are correct. Such checking can be readily indicated by a rubber stamp as illustrated.

STAMP FOR INVOICES:

<u>MATERIAL RECEIVED</u>	(Initialed by person who checked in material.)
<u>QUALITY APPROVED</u>	(Initialed by person who checked in material.)
<u>PRICES APPROVED</u>	(Initialed by person who checked invoice against purchase order.)
<u>EXTENSION CHECK</u>	(Initialed by Bookkeeper.)
<u>PAYMENT APPROVED</u>	(Initialed by Superintendent or Designee.)
<u>ACCOUNT NO.</u>	(Bookkeeper designates distribution to proper account, and this number controls entry on check register.)

- d. If a duplicate or copy of a receipt must be submitted, a statement must accompany it to the effect that an original cannot be obtained and that this item has not been submitted and approved on a previous report nor will it be submitted on a subsequent one.

2. For Wages, Salaries and Social Security Payments

- a. All wages and salaries paid from funds advanced by REA must be listed on a payroll, or individual receipts secured, and the payroll or separate receipts must be signed in duplicate by each person employed upon receipt of payment. Original payroll or receipt must be attached to the Expenditure Report, and forwarded to the REA Finance Division, and must show the period covered, number of hours and/or days worked, rate of pay, type of work performed, and the amount of Social Security Tax deducted. The other copy should be retained by the Borrower for the office files.
- b. The net amount paid to each employee after social security tax has been deducted should be listed on the payroll, and receipts must be in the corresponding amounts.

When it is not possible to obtain a receipt from the Collector of Internal Revenue for Social Security payments, a copy of the return will be accepted. Across the face of the duplicate return must be written the number of the check with which it was paid, and the date of payment.

3. Mileage Allowances:

The receipt for mileage allowance may be included on the receipt for wages or salary, but must be shown in detail (miles traveled and rate per mile) as to the net salary paid and the mileage

coverage. Original receipt will be forwarded to REA Finance Division with the expenditure report, and the copy retained in the Borrower's files.

4. Contractor Receipts:

The contractor must furnish the Borrower, at the end of each month, an itemized invoice approved by the Project Engineer, in duplicate, for all work completed under the Construction Contract and any Change Orders which have been approved by the REA during the month.

(Instructions for Change Orders and forms on which to submit record of construction changes are supplied by the REA Design and Construction Division.)

The Project Engineer shall be responsible for the correctness of unit prices and extensions, and shall check all items listed on the invoice against the Construction Contract and approved Change Orders. Items not included in the Construction Contract and approved Change Orders must be disallowed.

The original copy of Contractor's receipted invoice must be attached to the Expenditure Report, and forwarded to the REA Finance Division.

Contractor's payrolls must be submitted separately on Form FI-93, (See instructions for Form FI-93 in Part VI, Section D.)

5. Credits

If a credit is received for any previous expenditure for an Approved Purpose, covering materials returned or sold, such credit should be deducted from the next expenditure reported for that Purpose, and the Credit Slip listed on the Expenditure Report and submitted to REA in the same manner as a receipted invoice. If a Credit Slip is not obtainable, notice of such refund or sale by a notation on the report, or in a letter, will be sufficient evidence of receipt of refund or sale of material.

C. Acceptable Receipts in Special Circumstances:

1. Unobtainable Receipts:

It is recognized that there will be certain circumstances in which receipts cannot be obtained. For example, a vendor might go out of business and leave the vicinity before a receipt could be obtained.

Although receipts as described in Paragraph B are preferred and can usually be procured if requested at the time of payment, REA will accept certificates as follows, when it is evident that a better receipt cannot be obtained.

CERTIFICATION OF UNOBTAINABLE RECEIPTED INVOICE :

Project name _____ Date _____

Designation _____

I, _____, certify that a receipt in the
(Treasurer of Association)
amount of \$ _____ cannot be obtained from

_____ because _____.
(Vendor)

This payment was made by check No. _____ on _____
(Date)
for _____ which had been
(Description of material or service)
received by the Association and found satisfactory.

(Name of Association)

By: _____
(Treasurer)

2. Missing Receipts:

It is recognized that some vendors fail to supply received invoices. In such circumstances, and if an explanation is furnished, certificates as described in the preceding paragraph will be accepted.

This situation can usually be prevented by demanding a received invoice, in duplicate, at the time payment is made.

3. Received Invoices for Payments to Reimburse General Funds:

When salaries are paid from General Funds and a portion of such expenditures are reimbursable from Construction Funds, the Superintendent will estimate the amount of each salary chargeable to construction (Work Orders) each month as follows:

<u>Item</u>	<u>Total Estimated Expense</u>	<u>Percent Chargeable to Work Orders</u>	<u>Amount Chargeable to all Work Orders</u>
Sup't			
Salary			
Bookpr.			
Salary			
etc.			
	<u>Total Chargeable to Work Orders</u>		<u>\$</u>

This total will then be prorated, monthly, on the basis of actual or estimated Labor on each Work Order and the appropriate portion shown on each.

The Superintendent will then submit with the Expenditure Report (Form FI-121B) an individual receipt from each of the above as follows:

"I hereby acknowledge receipt of \$ _____ in payment of salary or wages for the month of _____, which is chargeable to Construction Work Orders.

"Signed _____ "

Under this method, overheads which are allowable from construction funds can be properly charged and credited in accordance with the Division of Engineering and Operations Memorandum No. 2.

D. Unacceptable Receipts:

Received invoices which lack proper signatures, or identification, or do not schedule materials, or otherwise fail to meet the requirements above stated, positively cannot be accepted.

E. How to Get Invoices (including credit slips)

It is important that the Borrower notify all firms or persons from whom purchases are made that invoices must be rendered in duplicate and must be itemized in detail. Purchase order forms sent to vendors should plainly state that duplicate invoices are required. At the time payment is made on invoices, they must be received in duplicate. The original copy of each received invoice must be listed on, and attached to the Expenditure Report - one copy should be retained by the Borrower for the office files. Current receipts should be listed on Pages 2 and 3 of form FI-121B. Past due receipts should be listed on Page 4.

F. Identification and Submission of Invoices

Invoices should be numbered consecutively as received during the life of a loan contract and the identifying numbers should be listed in Column 4 on Pages 2, 3, and 4 of form FI-121B. Invoices should be listed in groups by Purposes and as shown on the check register, as explained in a paragraph following, and should not be listed in the order checks were drawn.

When invoices are sent to REA please arrange them in the same order in which they are listed in the Report and attach an adding machine tape as hereinafter described. Please similarly arrange and submit separately past due invoices listed on Page 4, of FI-121B. This arrangement will expedite the advance of funds.

G. Who Prepares the Expenditure Report

This Report is prepared by the Bookkeeper and the Project Superintendent. The Superintendent and Treasurer must certify the Report before submitting it to REA.

H. Explanation of Column and Instructions for Making Entries on the Expenditure Report (Form FI-121B)

Page 1 of Expenditure Report (Form FI-121B)

Column 1 - Approved Purposes for Which Expenditures May be Made:
These are the general Purposes (explained in detail in Part II) for which expenditures are authorized by the Loan Contract.

Column 2 - Total Received Invoices Approved by REA:
The dollar amount shown in this column opposite each Purpose is the total amount of invoices which you have submitted and REA has approved for each Purpose.

Column 3 - Total Advances Not Accounted for by Received Invoices:
The dollar amount shown in this column opposite each Purpose is the difference between the total advances made by REA for that Purpose and the received invoices which have been approved. In other words, it consists either of cash on hand or receipts for expenditures not yet approved by REA.

Column 4 - Expenditures for Which Received Invoices are Now Submitted:
The dollar amounts shown in this column are the totals of received invoices for each Purpose which are attached to this Report. Expenditures listed in this Column must be

itemized as to invoices and check numbers on Pages 2, 3, and 4, Column 5 and the totals from these pages provide the entries for this column on Page 1.

Column 5 - Balance of Advances for which Received Invoices Have Not Been Submitted:

This column shows the amount of advances for each Purpose which are still unaccounted for after this report. These amounts may consist of either cash or missing receipts.
(Column 3 less Column 4)

Column 6 - Total Expenditure for which Receipts have Not Been Submitted:

This column shows the total amount of receipts for each Purpose which have not yet been sent in, although payments have been made and entered on check register. A detailed list of such receipts is provided on Pages 2, 3, and 4, Column 6 and the totals from these pages provide the entries for this column on Page 1.

Column 7 - Cash Balance at End of this Period:

This column shows the cash balance available for each Purpose, and the total of this column must equal the check book balance, shown at foot of Page 3, on the date this Expenditure Report was made. If the amounts do not agree, some missing invoice has not been listed or some other error has been made.

Reference to the check register should readily disclose the source of disagreement. If Approved Received Invoices for any Purpose exceed the advance made for that Purpose, an overdraft has occurred and should be shown by red figures in this column. Such overdraft should be requested on the requisition which is being submitted or a transfer of funds from overadvances should be shown on the requisition.

Pages 2 and 3 of Expenditure Report (Form FI-121B)

Pages 2 and 3 of the report should be used only to report expenditures made during the period covered by the report.

On these pages a detailed accounting of received invoices submitted for each Purpose, checks drawn in payment and missing receipts for the current month's report is provided in accordance with entries on check registers and as follows:

Column 1 - Approved Purposes:

The Purposes, described by the name and number in

Column 1, Page 1, for which expenditures were made, should be entered in this column.

Column 2 - Check Numbers:

The numbers of all bank checks drawn against the "Special Construction Account" during the period covered by the report should be entered in this column opposite their respective Purposes. All checks written for the same General Purpose should be grouped together. For example, all checks written under 9-b "Right of Way Expenses After Allotment" should be listed together in one group instead of consecutively as drawn. This will be readily accomplished by listing all the checks for each purpose as they appear on the check register. Then attach an adding machine tape showing the total of the checks drawn for each Purpose and the total for all Purposes. This tape will check your Expenditure Report against the check register.

Column 3 - Amount of Check:

The amounts of all checks drawn against the "Special Construction Account" during the period covered by this report should be entered in this column, opposite the respective check numbers.

Column 4 - Receipt Number:

The number of the received invoice should be listed in this column. (See detailed explanation in Par. F above.)

Column 5 - Amount of Received Invoice Attached:

If a received invoice for the expenditure is attached to the report, the amount of such invoice should be entered in this column along with other invoices for the same Purpose as above described. The receipt numbers will not be in sequence but may readily be checked back against check registers.

If a single bank check is issued to pay more than one invoice, the amount of each invoice should be listed separated in its proper group by Purposes and the amount of the check entered only once. The check number should be entered opposite each invoice which was paid by that check and a breakdown furnished to indicate that the total of all the invoices equals the check drawn in payment. The total of this column plus Column 5 on Page 4 must equal the total of Column 4 on Page 1.

Column 6 - Amount of Missing Receipted Invoice:

If a receipted invoice for an expenditure made during the period covered by the report is missing, the amount of such invoice should be listed in this column opposite the proper Approved Purpose and invoice number. The total of Column 6 on Pages 2, 3, and 4 must equal the total of missing receipts listed on Page 1, Column 6.

Page 4 of Expenditure Report (Form FI-121B)

Page 4 should be used only to report expenditures made during previous periods but on which receipted invoices have not been submitted or approved.

The six columns have the same headings and are used in the same way as those on the front of the page. An explanation for any receipt still missing as of the date of the report must appear in the space provided.

All receipts which have been reported in Column 6, Pages 2 or 3 must be shown on Page 4, Column 6 of each subsequent report until the receipted invoice is received, when it can then be shown in Column 5.

I. FINAL 10 Percent to Contractor

When payment of the ten percent previously withheld from the contractor is made, it should be reported on the Expenditure Report in a lump sum amount. Attached should be a receipt from the Contractor covering the lump sum amount. The Project Engineer must certify this invoice in the same manner as he certifies all other contractor's invoices.

HOW TO PREPARE OTHER DOCUMENTS WHICH MUST
ACCOMPANY FORMS FI-121A AND FI-121B

PART IV

A. Form FI-40, Voucher for Payment Under Construction Loan

This form is in four parts: the original (white) Form FI-40, and three carbons (yellow) Form FI-40a.

This form is the voucher upon which funds are advanced to the project. It cannot be accepted unless correctly prepared.

A great deal of care should be taken in the preparation of the Voucher Form inasmuch as the Treasury Department will not accept this form with erasures or corrections made by striking different figures over the original. Only the original (white) copy of this form should bear the autographed signature of the president or treasurer who signs the voucher. The yellow copies should contain the typed signature, and all copies must show the title of the person signing. This form should be carefully checked to see that the instructions on this page are carried out.

It is important that the voucher be filled out exactly in accordance with the instructions given on the illustrated sample form. (See next page.)

The original (white) and three (yellow) copies must be executed and forwarded to the REA Finance Division with each Financial Requirement Statement. (Form FI-121A)

One copy will be returned to the Borrower by the Finance Division with the approved third copy of the requisition (Form 121a).

B. Form FI-53, Certificate of Construction Progress

This form is an essential part of the Financial Requirement Statement when funds are requested for construction. (See sample.)

Request for construction funds will not be approved without this document properly filled in and signed by the Project Engineer.

C. Other Reports (See detailed explanation of Approved Purposes in Part II.)

The details of anticipated expenditures will be required by REA

on Force Account (work performed by employees of the Borrower), salaries, purchase of distribution lines or substation or other sites and trips to Washington after approval has been granted by the Administrator, and may be requested for other items. Funds will not be advanced for these Purposes unless a satisfactory explanation of such planned expenditures is submitted with the request for funds.

INSTRUCTIONS FOR FILLING IN VOUCHER FOR PAYMENT UNDER
CONSTRUCTION LOAN CONTRACT

The blanks numbered on the voucher form will correspond with the numbers given below, opposite which is given the information which is to be placed in the blank on the voucher forms.

1. Official Project Designation
2. Contract Number A. RE
3. Location and Date of Request
4. Official Name of Corporation
5. Official Office Address of Project
6. Same Number as Appears on Financial Requirement Statement
7. Amount Requested
8. Contract Number A RE
9. Date Loan Contract is Signed
10. Official Project Designation
11. Name of Approved Bank
12. Official Name of Corporation
13. Signature of Officer (President or Treasurer) and Official Title
on FI-40 (white) and typed signature and Title on FI-40 (yellow).
14. This Block for REA use only.

INSTRUCTIONS FOR DUPLICATE COPIES

Do not sign copies--Type name of official on signature line with title on line below.

Fill in original and three copies and forward all copies to REA. One copy will be returned by the Finance Division with approved third copy of requisition.

The original of this form is submitted to the United States Treasury Department by the REA. It cannot be accepted unless prepared correctly.

VOUCHER FOR PAYMENT UNDER CONSTRUCTION LOAN CONTRACT

D. O. Voucher No. _____
Register No. _____
Project Designation 1 _____
Contract No. RE 2 _____

3

(Place and date prepared)

U. S. RURAL ELECTRIFICATION ADMINISTRATION

Appropriation _____

(Symbol)

(Title)

PAID BY

THE UNITED STATES, Dr., to _____

4

(Borrower)

Address _____

5

(For use of Paying Office)

The undersigned requests payment of advance No. 6 _____ in the amount of \$ 7 _____ to provide funds under Construction Loan Contract No. RE 8 _____ dated 9 _____, 19 10 _____, for Project 10 _____ to be employed by the Borrower for such of the purposes specified in the Statement of Purposes, to be filed in the offices of the Rural Electrification Administration, as shall be approved by the Administrator of the Rural Electrification Administration under and pursuant to the provisions of said Construction Loan Contract.

The undersigned certifies that the amount of the payment herein requested is required for the purposes specified in the Statement of Purposes pursuant to the provisions of the above-mentioned Construction Loan Contract, and agrees that such of the funds herein requested as shall be paid pursuant to this requisition* will be deposited in the Special Construction Account of the undersigned in 11 _____

(Insert name of

approved depository) and* will be used only in accordance with the provisions of said Construction Loan Contract.

Borrower 12 _____

(MEMORANDUM—DO NOT SIGN)
By 13 _____

(Title of duly authorized officer)

*Delete words between asterisks when project is prosecuted under force account.

14

I CERTIFY that the Borrower has complied with all the provisions of the above Construction Loan Contract required to be performed by it in order to obtain the payment approved under this voucher; and payment in the amount of \$_____ is approved.

(MEMORANDUM)

Paid by check No. _____, dated _____, 19 _____, for \$_____ on the Treasurer of the United States in favor of Borrower named above.

RURAL ELECTRIFICATION ADMINISTRATION	CERTIFICATE OF CONSTRUCTION PROGRESS	REGISTER NO. _____ DATE RECEIVED _____
--	--	---

Project Designation: _____

Location: _____

Date: _____

(DATE THIS CERTIFICATE AS OF THE LAST DAY COVERED BY THE CONTRACTOR'S INVOICE)

I hereby certify that the value of all units complete in place as of the date hereof is ____% of the total value of such units based on the mileage specified in the Construction Contract and approved Change Orders, and that the sum of \$ _____ (less 10% to be withheld) was due the Contractor on the date of this Report in accordance with the Contractor's invoices approved by me and which accompany the Expenditure and Commitment Report submitted by the Project.

The uncompleted portion of the Project will require approximately _____ days to complete.

I estimate that \$ _____ will be required to pay the Contractor for units of construction to be completed during the 30-day period following the date hereof.

All construction completed or commenced on this Project complies in all respects with plans and specifications approved by the Administrator, and with the provisions of the Loan Contract dated _____, 19____.

PROJECT ENGINEER

List Sections under Construction and give the following information:

HOW TO PREPARE OTHER DOCUMENTS TO AMEND THE CONSTRUCTION BUDGET

PART V

A. Principle of the Construction Budget:

The total allotment made to a Borrower is a construction budget consisting of dollar amounts for each of the Approved Purposes authorized by the Loan Contract. REA experience has shown that the standards on which these amounts are based are adequate for normal construction and operating conditions. However, conditions may arise which will require revision of one or more budget amounts. In that event, the procedure outlined below must be followed carefully.

B. General Instructions - The Contingency Fund:

Page 2 of the Financial Requirement Statement must be used to request a revision of the construction budget. Since the total allotment is budgeted, an increase in one amount must be offset by a corresponding decrease in another amount. The contingency fund (Item 16) may be used to provide for an increase in a budget amount only when no other amount can be decreased. The request for an advance of funds from the contingency item to construct additional miles of line, or to provide for any other material addition to the scope of the project, will not be approved. An additional allotment must be requested to provide for an increase in the scope of the project.

REA may initiate, and give advance approval to a budget revision. In such a case, the project will be notified, or the adjustment may be shown on a request for funds which may be in process.

Two or more budget amounts may be decreased to offset an increase in one budget, or vice versa, if it seems desirable on the part of the Borrower.

C. Who Prepares the Construction Budget Adjustment Request:

The "Board of Trustees (Directors)" must authorize every Construction Budget Adjustment Request. After such authorization, Page 2 of the Financial Requirement Statement is prepared by the Bookkeeper and Project Superintendent and certified by the Secretary.

A Budget Adjustment Request should be submitted:

1. As soon as the Project Superintendent and a properly authorized officer of the Corporation determine that a specific amount is

either insufficient for, or in excess of, probable requirements for that purpose.

Such a Budget Adjustment may involve a decrease or credit of a part of all of an amount already advanced for one Purpose, and an increase or debit in like amount to the Purpose or Purposes for which funds are required. Such revisions should be indicated in Column 3, Page 2 under "Budget Adjustment Statement," opposite the Purpose affected.

2. As far in advance of requirements as possible, but in an emergency, a Budget Adjustment Request may be submitted with the Financial Requirement Statement in which a request is made for funds in excess of the then approved budget.
 3. Whenever change orders, or contracts for materials or services indicate that a change, either upward or downward, of a budget amount, will be necessary.
- D. Explanation of Columns and Instructions for Making Entries on Page 2 of the Financial Requirement Statement.

Column 1 - Budget Item:

In Schedule A, enter in this column the Approved Purpose for which the budget amount is to be increased.

In Schedule B, enter in this column the Approved Purpose for which the budget amount is to be decreased to compensate for the increase in Schedule A.

Column 2 - Previous Approved Amount:

In Schedules A and B, enter opposite the proper Approved Purposes the Original Approved Budget amounts, or if a previous budget adjustment has been approved, the Approved Amended Budget for that Purpose, i.e., the amount entered in Col. 2 or 3 of the last Financial Requirement Statement approved by REA.

Column 3 - Unused Balance:

In Schedules A and B, enter opposite the proper Approved Purposes, the approximate amount still available for expenditure for each Purpose, i.e., the amount shown in Column 2 of this page minus Total Expenditures (Col. 2 plus Col. 4 of the Expenditure Report to be submitted with the request.)

Column 4 - Increase (Schedule A) or Decrease (Schedule B) Requested:
In Schedule A, enter opposite the proper Approved Purpose,
the amount of the increase requested. In Schedule B,
enter opposite the proper Approved Purpose, the decrease
to offset the entry in Schedule A.

Column 5 - New Budget Amount Requested:

In Schedule A, the amount in this column should be
Column 2 plus Column 4.

In Schedule B, the amount in this column shculd be
Column 2 minus Column 4.

Column 6 - Remarks:

If the change requested has already been approved by
an REA Division, indicate the date of such approval
and the Division. Otherwise, indicate the reason for
the request, and give a full explanation on an attached
sheet of paper.

PART VI

SPECIAL INSTRUCTIONS

A. Contractors' Payrolls (Not Borrower's Payrolls)

The contractor must submit payrolls on Form FI-93, listing the name, occupation, hours worked per day, rate and total amount paid each employee of the contractor.

Employees paid weekly and employees paid semi-monthly should not be listed on the same form. Use a separate form for each group, crossing out either "Weekly" or "Semi-Monthly" in the heading, as required.

The forms will be sent to the contractor by the REA Cooperatives' Operations Division. They should be prepared in three copies; one copy should be forwarded to REA in the envelope provided, one copy should be given to the project and the third retained by the contractor.

Weekly payrolls must be submitted each week, within four days after payday. Semi-monthly payrolls must be submitted regularly within four days after payday.

B. Force Account work is work which is done by employees hired, paid and supervised by the Borrower. (This work should not be confused with Engineering under Force Account, which is explained in Part II, Paragraph C, Item 7 b.)

Force account work covering Main Line Construction or Class "B"
Work Orders must not be undertaken without the approval in ad-
vance of the Design and Construction Division.

A request for funds for Force Account work may be submitted after the REA has approved and must state in detail the materials to be used and prices, necessary labor and wage rates and other expenses. An authorizing resolution of the Board of Directors should accompany the first request for such funds. Force Account expenditures must be reported in the same manner as other expenditures would be reported.

C. How and When to Pay Contractor in Full

When Contractor has completed construction and any clean-up work ordered by Project Engineer, he should be paid 90 percent of the value of all work done under the terms of the Construction Contract

and all approved amendments or change orders. The funds for this purpose are advanced under Item 1 a on Form FI-121a. The Contractor should then secure releases of liens from all materialmen and suppliers who have furnished materials or equipment for the construction of the system (if they have not been secured previously) and forward one copy with his affidavit (copies of both forms are sent him with the executed Construction Contract) to the REA Finance Division.

Upon receipt of the following documents:

1. Final Inventory
2. Engineer's Certificate of Completion of Work Under Contract Portion of Project
3. Inspector's Report
4. REA Auditor's Report
5. REA Field Engineer's Report

The Borrower will be notified of the amount due the Contractor and the amount which should be requested in order to make final payment to the Contractor. This notification will be accompanied by Form FI-159 "Borrower's Final Acceptance of Contract Portion of Project" and Form FI-163 "Contractor's Receipt for Final Payment." As soon as payment to the Contractor is made, these forms should be executed and one copy of each returned to the REA Finance Division.

D. Approved List of Office Equipment

Prices, quantities, and items given are normal limits on which the budget is based, and it is expected that the expenditure report (Form FI-121B) and accompanying received invoices will evidence expenditures within these limits.

<u>Item</u>	<u>Approx. Cost</u>
1 Office desk (Superintendent)	\$50.00
1 Office chair (swivel)	25.00
1 Stenographer's chair	25.00
1 Stenographer's desk	50.00
10 Office chairs (plain) \$10.00 ea.	100.00
2 Office tables ($3\frac{1}{2}' \times 6'$) \$30.00 ea.	60.00
2 4-drawer filing cabinets \$35.00 ea.	70.00
1 Costumer
1 Safe (See Operations Memo #43)	124.00 175.00
1 Typewriter	125.00
1 Mimeograph machine	100.00 250.00
1 Adding machine (9 bank)	175.00 250.00

*Letter trays	}	}*15.00
*Wastebaskets)	
*Stapling machine)	
*Pencil sharpener)	
1 Cash Desk Show Case		65.00
*Stationery and Supplies		100.00
6 Collapsible Chairs - \$1.50 ea.		9.00
1 Addressing Machine (<u>Large Co-ops only</u>)		225.00
1 Cabinet or Bookcase		25.00
*Complete set Accounting and Record Forms)	
Binders for Accounting Forms)	200.00
Card Index Cabinet)	300.00
		\$1,543.00 \$1,919.00

*Cost should be requested under Item 10C "Office Expenses"

E. Approved Bookkeeping and Record Forms

The following list of bookkeeping and record forms purchased by borrowers from private printers have, after a comparison of the cost and advantage of the various forms, been recommended for use in the project offices.

It is felt that by standardizing on the best of the various forms examined, a complete and coordinated system can be provided, thereby reducing the cost of printing and result in a saving in time for bookkeepers, examiners and auditors. Bulletins have described and prescribed standards for many of these forms and others will follow in the near future.

A number of printing concerns specializing in printed forms purchased by REA cooperatives have guaranteed that all forms sold will have the REA approval prior to delivery, and it is strongly recommended that these guaranteed forms be purchased and thereby assure the receipt of the latest in the standardized system, which will coordinate the record keeping between the project office and the REA.

Include in the Financial Requirement Statement (FI-121A) a lump sum sufficient to purchase the required forms, binders and supplies.

LIST OF STANDARD FORMS

Note: The forms marked (x) are required when the expenditure of Construction Loan Fund begins. The other forms are used in connection with the expenditure of General Funds and Operating Records.

Type and Name of Forms Quantity

Bookkeeping Forms:

1. (x)Journal Sheets	100
2. (x)General Ledger Sheets (11x14 current work binders and storage binders with numerical indices will be required for these accounting needs.)	300
3. (x)General and Operating Fund - Cash Received	100
4. (x)General and Operating Fund - Accounts Payable Register	100
5. (x)Special Construction Fund - Cash Received Budget Control	100
6. (x)Special Construction Fund Check Register	100
7. (x)Special Construction Accounts Payable	100
8. (x)General and Operating Fund Check Register	100
9. (x)General and Operating Fund Check Register for Generating Plants and Special Facilities (if needed) (11x24 current work binder and storage binder, together with division sheets will be required for these columnar forms.)	100
10. E.H.F.A. Consumers' Ledger Sheets or Cards	1 per account

Purchasing and Disbursing Forms, Receipts, etc.

1. (x)Purchase Order Forms, in triplicate	500
2. (x)Voucher Checks, in triplicate	500
3. (x)Receipts for Expenditures	500
4. (x)Counter Certificate of Deposit	500
5. (x)Membership Certificate (purchase from General Fund. See Instructions Part VI, Par. F)	1 per member

Miscellaneous Forms

1. (x)Membership Record Card	1 per member
2. (x)Transformer Record Card	1 per transformer
3. (x)Meter Record Card	1 per meter
4. Utilization Card	1 per member
5. Failure Report	100

Work Order Procedure

1. (x)Staking Sheet	3 per member
2. Estimated Construction Work Order	300
3. Final Construction Work Order	600
4. Estimated Retirement Work Order	100
5. Final Retirement Work Order	100
6. Monthly Recapitulation Sheet (Work Order Schedule) For above: storage binders 8 ¹ / ₂ x14	100
7. Maintenance Operation and Miscellaneous Job Order	500

Office Forms Which Build Up Work Orders or Record
Data Therein

1.	Assembly Unit Make-Up Card	100
2.	(x)Daily Time Summary	300
3.	(x)Daily Summary of Materials used and Retired Materials	300
4.	(x)Monthly Summary Cost of Materials	25
5.	(x)Monthly Summary of Transportation (11x14 current work binders, storage binders and division sheets will be required for the above.)	25
6.	Stores Requisition (in lieu of lineman's report of material used on large proj- ects with storekeepers)	300
7.	(x)Perpetual Inventory Stock Record Card	500
8.	(x)Alternative Inventory Card for Visible Filing	500
9.	(x)Prong binder or visible file for Inventory Cards	1

Wiring and Plumbing Forms

1.	Wiring and/or Plumbing Contract	2 per loan
2.	Alternate Agreement	100
3.	Members' Credit Statement	1 per member loaned
4.	Certificate of Satisfaction	1 per member loaned
5.	Consumers' Note	1 per member loaned
6.	Application for Temporary Service	100
7.	Inspector Book-Page	100
8.	Wiring Inspectors' Weekly Report	100

Standardized Meter Reading, Billing and Collecting
System as Described in Finance Division Bulletin
No. 10 will require the following material:

1.	Consumers' Ledger Cards or Ledger Sheets	1 per member
2.	Consumers' Ledger (alternative to 1. See Finance Bulletin No. 10)	1 per member
3.	Consumers' Meter Reading Double Post Cards	1 per member per month
4.	Consumer Post Card Bills	1 per member per month
5.	Division indices and file equipment for Consumer Ledger Cards as described in Bulletin No. 10, metal flags, date stamps and accessories - See Finance Division Bulletin No. 10.	
6.	Meter Reading Sheets (if card system is not used.)	1 per member
7.	(x)Daily Analysis - Cash Received	500

F. Items Not Allowable

Projects should not request funds for items listed below. These items may not be purchased from Loan Funds.

1. Printing of applications for purchase of stock in the cooperative.
2. Printing of stock or membership certificates.
3. Securing applications for purchase of stock, including salaries, fees, or expenses of such solicitation.
4. Securing applications for membership or service, except such expense which is authorized and approved for the PRE-ALLOTMENT SURVEY.
5. Notices of meetings, except those authorized for Load Building Program.
6. Rent of hall for mass meetings, or other kinds of meetings.
7. No purchase of rights-of-way may be made without the approval of the REA Legal Division.
8. Compensation for the services of officers, as such.
9. Deposits for utility services, that is: electricity, gas, and water.
10. House wiring inspection.
11. Wholesale energy charges.



